
United States
Circuit Court of Appeals
For the Ninth Circuit

GENE BUCK, as President of the American Society of Composers, Authors and Publishers, and ROBBINS MUSIC CORPORATION, a corporation, CHAPPEL & CO., a corporation, and POPULAR MELODIES, INC., a corporation,

Appellants,
vs.

TRIANON COMPANY, INC., a corporation,

Appellee.

Upon Appeal from the District Court of the United States for the Western District of Washington, Northern Division.

Appellants' Reply Brief

(Consolidated herewith are the cases of *Buck et alles vs. Lockhart*, No. 9233, and *Buck et alles vs. Tarry Inn*, No. 9232.

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No. 9231

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Appellee's argument is prefaced with a statement that complainants sought judgment against defendants of from \$100,000 to \$5,000. The suits were based on the Federal Copyright Law. The relief sought was an injunction restraining the defendants from publicly performing for purposes of

profit the particular musical selections copyrighted by complainants. The damages were set by Congress when they adopted the Copyright Law. Every opportunity was afforded the defendants to avoid this litigation. The complainants wrote numerous letters to each defendant; called to their attention the fact of infringement; asked them to legalize the use of the music, or to desist from such use. Their attention was specifically called to the Copyright Law, and to the damages which follow infringement. This conduct clearly demonstrates that plaintiffs desired to avoid litigation. The defendants' conduct demonstrates that the litigation was encouraged and invited by defendants.

In our opening brief we were extremely careful to make no reference unsupported by the record. Appellee has made numerous statements not supported by the record, and constantly refers to matters entirely outside the record. These are so irrelevant and immaterial that we hesitate to burden the court by explicit denials. Such unsupported and irrelevant statements we, of course, must and do expressly deny.

The record does not indicate the comparative size or financial strength of the parties. We do not know that the defendants are little defendants. Such

statements have no effect upon the court, but they are not properly in the brief, and it is eminently unfair for counsel to make such reference.

Appellee is not correct in their version of the cancellation rights afforded by the license agreements. The Trianon license provides for renewal unless either party

“* * * Shall give notice in writing to the other of the desire to terminate the same at the conclusion of such year.” (Tr. 86, Paragraph 4.)

This cancellation did not have to be by registered mail. The expiration date of the license was July 1. The cancellation notice was dated May 27, 1935, and conformed to the license requirements.

The form of the other licenses is found in Exhibit No. 19, Tr. 105. Appellee states this could be cancelled only for cause or at the end of the yearly date (Appellee's Brief, p. 11): Paragraph 4 of the agreement provides that

“* * * Either party to this agreement may, at any time, upon giving to the other party thirty days prior notice in writing by registered mail, terminate this agreement.”

The evidence of the cancellations of the licenses of the defendants Lockhart and Tarry Inn is not controverted. Each defendant signed the registered

letter return receipt. These show the delivery date of the notice of cancellation to Lockhart was August 23, 1935 (Plaintiff's Exhibit No. 18, Tr. 103) and Tarry Inn, August 22, 1935 (Plaintiff's Exhibit No. 20, Tr. 109). The defendants offered no testimony on this point, and counsel has failed to answer it directly.

Appellee has attempted to attack the veracity of appellant's witness, Mr. Stanley, by indicating that he could not possibly have confirmed the registration of the letters *by calling at the post office*. The statement of the witness is:

“I did not mail it personally, but instructed my secretary to mail it. I confirmed this mailing the next day.” (Tr. 113.)

Counsel further contends that, since complainants' witness gave this bit of hearsay testimony, it would then be improper for us to object to the testimony given by the defendant, Mr. Savage, and his counsel, to the effect that they called at the post office and were told certain information by a postal clerk. The difference is that objection was regularly made to defendant's testimony, and it was admitted by the court over objection. The above testimony of Mr. Stanley was brought out on cross-examination, and was, of course, admitted without objection. Its

admission would furnish no grounds for admitting the defendants' objectional testimony. Such testimony was hearsay and violative of the best evidence rule, and if such evidence exists, it should be proved in the proper manner. The new Federal Rules of Civil Procedure, Rule 44, Sec. (b), provides a further manner in which defendants could have proved the absence of a record, if such existed, by the certificate of the officer in charge. But we know of no rule of law that permits a party to give hearsay testimony.

Appellee speaks at great length regarding the alleged contents of an injunction of August 7, 1935, in the State case. This order is not in evidence, and therefore it is unfair for counsel to make any statement as to its contents. We cannot indulge in speculation or presumption, and we deny counsel's statements that complainants were restrained from cancelling license agreements, by decree or otherwise.

From reading the final decree (Tr. 80), one gathers that the State suit was based on the theory that the Society was doing business contrary to the laws of the State of Washington. Any attempts on the part of the Society, therefore, to cease doing business in the State, were definitely in line with

the objects of that suit. But there is an additional point. A state receivership could have no affect upon the right of the Society to cancel its licenses, because such a receiver could acquire no interest in the intangible and personal property rights granted to the individual members of the Society by the Federal Copyright Law. It is well established that a copyright is not subject to attachment or execution in the State courts. This rule is set forth in 13 *C. J.* 1100, *Section 255*:

“A copyright is not subject to seizure or sale on execution or attachment, and if the plate or physical means of reproduction is so seized and sold, the purchaser may not use it for the purpose of multiplying copies. A copyright may be reached and subjected to its owner’s debts by means of a creditor’s bill, but, the court would be compelled to decree and enforce a transfer in the mode provided by statute.”

A further point is that a contract licensing the public performance of a song is a personal contract, and has been likened to the same personal relationship that exists between attorney and client, physician and patient, etc.

“That rights arising out of contracts involving a relation of personal confidence cannot be transferred *in invitum* is an elementary rule. *Arkansas Smelting Co. v. Selden*, 127 U. S. 379, 8 Sup. Ct. 1308, 32 L. Ed. 246; * * *

This view is expressed in the case of *In re D. H. McBride & Co.*, 132 F. 285, where the court, after setting forth the above quotation, adopts the following language, p. 288:

“ * * * But a license under a patent right is held personal to the licensee and does not pass to a receiver or administrator by operation of law. *Oliver v. Rumford Chemical Works*, 109 U. S. 76, 3 Sup. Ct. 61, 27 L. Ed. 882; *Waterman v. Shipman*, 55 Fed. 982, 3 C. C. A. 371. * * *

“The precise question was considered in England by Sterling, J., in the recent case of *Griffith v. Tower Pub. Co.*, 1 Chancery 21, where, after reviewing the authorities, the learned justice held it clear that an agreement between author and publisher was of a personal nature, and that the benefit of it was not assignable by a receiver in bankruptcy. An injunction was granted against the receiver, who was threatening to sell all of his rights under the agreement between the author and the bankrupt publisher, to another publishing house.”

We call attention to the fact that the Society was only a licensee from the owners. Surely it cannot be argued that a receiver of this agent could have acquired any interest in these personal intangible property interests of the agent's principal. And therefore, when the cancellation notices were sent from Portland, Oregon, in August of 1938, such was unquestionably the act of the owners of the copyrights and one which was legally within

their power. The individual plaintiffs in the instant suits were not defendants in the State suit. We quote the following from the case of *Waterman v. Shipman*, 55 Fed. 982, at p. 985:

“Even if it were open to the defendants, under their answer, to assert that at the time when the suit was commenced the complainant’s interest in the patent had vested in the receiver in supplementary proceedings, the contention would be untenable. The license was not assignable. No license is assignable by the licensee to another unless it contains words which show it was intended to be assignable. (Citations.) The present license contained no such words, and was purely a personal license to the complainant. Consequently the receiver could not acquire it.”

We, therefore, respectfully urge that the receiver in a State Court would have acquired no rights in these particular license agreements, and they, therefore, were subject to cancellation at the will of the members of the Society.

But does counsel contend that these defendants acquired public performing rights in plaintiffs’ compositions by reason of some contractual relationship with the receiver? We have pointed out that the burden of proving this would be upon the defendants. There is not one scintilla of evidence or testimony which would tend to show that the defendants had a license obtained from the receiver, or

approved by the court. Neither is there one scintilla of evidence that any contractual relationship was entered into between the parties to these suits, subsequent to the receivership. The evidence, on the other hand, is conclusive that the licenses were, if not directly cancelled by acts of the complainants, at least cancelled by the mutual understanding of the parties.

The point involved is that, if the defendants were relying upon a license agreement, the burden was on them to prove that they had a valid and subsisting license agreement, which was in full force and effect upon the dates of the admitted public performances. This they have utterly and wholly failed to do.

ABANDONMENT.

The appellee, in his discussion of abandonment, is using that term as a mode of divestiture of title to specific property, which is an entirely different matter from abandonment as applied to the law of contracts, and the evidence required to show abandonment of contractual relationships. Appellee apparently contends that they had some property rights by virtue of their license agreements. It is stated in the brief, page 18, that the defendants *took charge* of such pieces of music as were re-

quired for their needs, and that they have never released such possession. All that was given to the defendants by the license agreements was a privilege of publicly performing for purposes of profit certain musical numbers which had been copyrighted by the plaintiffs. This was an intangible privilege terminable at the will of either party. These license agreements did not involve any physical property, such as sheet music or musical instruments. And while defendants claim never to have released whatever property they had, the record does not disclose this to be a fact. The record in these cases merely shows that the particular songs set forth in the three bills of complaint were publicly performed on the single occasion as alleged.

Most of appellee's argument on this point seems to be based on the theory that complainants could not rely upon abandonment because it was not pleaded. The matter is properly before the court on the pleadings. The defendants set forth an affirmative answer, in which they alleged that they were possessed of licenses which had never been cancelled. To this affirmative matter the plaintiffs replied with a general denial. It would have been improper to have made further allegations in their reply. *Simpkins Federal Practice*, 3d Ed., page 306, section 341, states the rule:

“ * * * The important point to note is that affirmative defenses are deemed denied without any reply. In fact, a reply to an answer containing affirmative defenses only is not a legitimate pleading, unless ordered by the court.”

Even though the matter were not specifically pleaded, it still is before the court by reason of the rules requiring amendment of the pleading to conform to the proof. Rule 15 of the Rules of Civil Procedure of this court so provide. We again quote *Simpkins*, page 311, section 352:

“On appeal, the appellate court may regard a pleading as having been amended to conform to the proof,”

and cites the following cases as authority:

McAllister v. Sloan (C. C. A. 8th), 81 F. (2d) 707;

Schmidt v. United States (C. C. A. 8th), 63 F. (2d) 390.

It is, therefore, clear that, if there is evidence of abandonment in the record, the court must apply it.

Counsel has commented upon certain of the cases cited in our opening brief. One of these is *Lathrop v. Rice & Adams Corp.*, 17 Fed. Supp. 642, a case which we referred to because of the particular language used by the court. Counsel apparently agrees that, if unequivocal notice were given by competent

authority, then the licenses should be considered abandoned. What clearer or more unequivocal notice could be found than in the language of Mr. Savage, the owner of the Trianon. In response to the complainants' request for a license, he directly stated that complainant would have to rearrange their set-up; would have to engage in some new form of doing business; and finally directly stated he would not make an application for a license. This is about as explicit a denial as one could have. The other two defendants took the same attitude. They referred the complainants to their attorney, Mr. Heiman. Mr. Heiman did not claim that they were licensed, but sought to effect a compromise license agreement, dating the agreement so that public performances during the year 1936 could be waived. These defendants failed to respond to the preliminary notices sent prior to the institution of suit, calling attention to the infringements, and giving them an opportunity to take out a license. The defendants were merely requested to either take out a license or to desist from further infringements.

This conduct on the part of the defendants constitutes the evidence which so conclusively shows abandonment of any contractual relations. The nu-

merous letters sent by complainants, and the defendants' failure to answer these; the attempts by complainants, in the latter part of 1936 to reopen negotiations; the failure of defendants to comply with complainants' request that they take out licenses, and the failure of the defendants to immediately claim a license agreement, all drive home the point of abandonment so that it stands undisputed from the evidence in the case.

COUNSEL FEES.

We believe that no good purpose would be served by further discussion of other cases regarding the allowance of attorneys' fees. The instant cases stand alone on their facts. We do not believe that another case could be found where the defendants were given every opportunity to enter into a license relationship with the complainants prior to suit, nor where the defendants by their acts so clearly indicated that they would not negotiate for the lawful performances. After suit, the defendants claim incidentally that they performed the numbers under the protection of a license, which they further claim was procured by coercion. The defendants admitted that they made no payments on license fees

since August of 1935. They, therefore, admit that they have completely ignored their responsibilities under a license. It seems most inequitable for the court to permit a defaulter to recover a counsel fee from one who sues him as an infringer, where the defaulter has completely disregarded his obligations under the license agreement. If no other relief is afforded appellants, we sincerely urge that this court should disallow all attorneys' fees which have been allowed defendants by the lower court.

CONCLUSION.

Appellees close their brief with a request that an additional penalty be assessed against the plaintiffs because the appeal was not warranted. Such a request is ridiculous. The award of attorneys' fees alone was sufficient grounds for an appeal. *Cohan v. Richmond and Mayer*, 86 F. (2d) 680. Under the peculiar facts of the instant case, the defendants should not have been awarded attorneys' fees under any disposition of the case.

We have heretofore referred to defendants' conduct, which forced the institution of these suits. They could only have been framed on infringe-

ments. Complainants could never have established existing licenses. Both parties, prior to the institution of the suits, had disavowed any such relationship. The defendants should not be permitted to shift from one foot to the other. When asked to license their establishments, they positively and unequivocally deny complainants' right to do business in the State. They deny complainants' right to request a license. And finally, the defendants absolutely refuse to license their establishments. They never recognized any obligations under a license. Upon being sued for infringements, defendants shift. At the trial they blandly admit they performed the numbers for purposes of profit. They then condone the performances under an alleged claim which they had theretofore disavowed and repudiated. Under the evidence in these cases, the court should reverse the District Court; and should direct that the infringements have been established by the defendants' own admissions.

Respectfully submitted,

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